



# U.S.-Korea Free Trade Agreement

## What's At Stake for Cotton?

**August 2010**

The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, this would be the most economically significant trade agreement for the U.S. agricultural sector in more than 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

In October 2009, Korea finalized its FTA with the European Union. Korea has FTAs in place with Chile, India, and the 10-country ASEAN group, and is negotiating new FTAs with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors. Should the United States not implement the KORUS FTA, the U.S. share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, could steadily erode.

### *With the Agreement...*

The KORUS FTA will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent access would allow U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

### *The Trade Situation...*

Korea's cotton imports have been trending down since 2002, when they reached 343,000 metric tons. Korea is the 10<sup>th</sup> largest U.S. cotton export market. From 2007 through 2009, U.S. suppliers shipped an average 79,000 tons of cotton annually valued at \$124 million. The U.S. share of Korea's market is currently 34 percent, but U.S. cotton faces strong competition from Brazil and Australia.

### *The Current Market Access Situation...*

Cotton faces an applied tariff of zero. The World Trade Organization permits duties (bound) of up to 2 percent.